

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

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TO AMEMBASSY STOCKHOLM

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C O N F I D E N T I A L STATE 053224

E.O. 11652: GDS

TAGS:ENRG, IEA, SW

SUBJECT:IEA: SWEDISH ADHERENCE TO LONG-TERM COOPERATION
PROGRAM

REF: STOCKHOLM 989

1. THE FOLLOWING IS PROVIDED FOR EMBASSY'S CLARIFICATION
AND SHOULD NOT BE RAISED WITH SWEDISH AUTHORITIES.

2. ON BASIS OF REFTTEL, SWEDISH UNDERSTANDING OF JANUARY
30 IEA GOVERNING BOARD DECISION REGARDING USE OF CONSUMPTION
TAX AS MEASURE TO IMPLEMENT MSP IS INCORRECT. CONSUMPTION
TAX IS INCLUDED AS MEASURE WHICH MAY BE USED IN ANNEX I
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OF LONG-TERM AGREEMENT, VIZ, "CONSUMPTION TAXES OR OTHER

TAXES IF PRACTICABLE AND CONSISTENT WITH THE OVERALL
OBJECTIVE OF CHAPTER III, SECTION D OF THE PROGRAM"
(I.E., GENERAL MEASURE OF COOPERATION).

3. IN NEGOTIATIONS OF LONG TERM PROGRAM, US DELEGATION
ATTEMPTED TO CONDITION USE OF CONSUMPTION TAX WITH A
PROVISION THAT SUCH TAXES MUST BE ADDITIONAL TO THOSE
ALREADY IN PLACE BUT THE BEST WE WERE ABLE TO OBTAIN WAS
THE LANGUAGE INCLUDED IN ANNEX I CITED ABOVE. A NARROW
INTERPRETATION OF THE LANGUAGE WOULD MEAN THAT CONSUMPTION

TAXES SHOULDN'T BE USED AT ALL SINCE SUCH A TAX HAS NO
PROTECTIVE ELEMENT FOR IEA ENERGY INVESTMENT AS IT
WOULD BE APPLIED EQUALLY TO ALL CRUDE OIL AND PRODUCTS
WHETHER DOMESTICALLY PRODUCED, IMPORTED FROM IEA
COUNTRIES, OR IMPORTED FROM NON-IEA COUNTRIES. SUCH A
TAX IS LESS EFFECTIVE THAN BORDER MEASURES IN PROTECTING
AGAINST DUMPING BY NON-IEA OIL PRODUCING COUNTRIES.
HOWEVER, US IS NOT PREPARED TO INSIST ON NARROW INTER-
PRETATION OF LANGUAGE.

4. GOS POSITIONIN SEEKING AUTHORITY TO IMPLEMENT MSP
THROUGH A TARIFF OR LEVY IS IN KEEPING WITH SPIRIT OF
AGREEMENT. SWEDISH DECISION
ON IMPLEMENTATION WOULD BE HELPFUL IN CONTEXT OUR EFFORTS
TO ENSURE THAT NORWAY DECIDES TO ADHERE TO LTP WITHOUT
RESERVATION. KISSINGER

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